CAPITAL GAIN BONDS

IDBI BANK

The gains that arise from the sale / transfer of a Long Term Capital Assets are known as **Long Term Capital Gains** and attracts **Capital Gains Tax**. However, such tax can be saved if this amount is invested in **Capital Gains Bonds specified under Section 54EC of IT Act 1969** within 6 months from the date of sale of the asset. Highlights of CGB is given below:

Exemption applicable under Section 54EC of IT Act 1969.
(The asset sold can be Land or Building, Residential or Commercial or otherwise held for more than 2 years.)

Bonds are 'AAA Rated' meaning highly stable by ICRA, CARE and CRISIL.
Bonds are currently available for issuance by REC & IRFC.

ROI on bonds is 5.25% paid annually with no TDS u/s 193 on interest.
(Interest on Capital Gains Bond is taxable as per the income tax rules)

Face value of each bond is Rs. 10,000.
Minimum investment Rs. 20,000.
Maximum investment Rs. 50 Lakhs in a single financial year.

The Bonds are issued for a period of 5 years.
There is automatically redemption after completion of 5 years.
Bonds cannot be prematurely redeemed.

Bonds are non-transferable, non-negotiable and non-marketable.
Bonds cannot be offered as a security for any advance or loan.
Bonds can be held in physical form or Demat form.

Returns at maturity are not taxable under LTCG in these bonds. Thus, they can be a smart investment opportunity to those investors who do not plan to purchase or construct a new residential property from the capital gains received after the sale of an asset (Land or Building) that has been held for more than 2 years.